



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

Agricultural Commissioner/Sealer Weights and Measures Cash Procedures Review

April 2014

**JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator**



COUNTY OF SAN LUIS OBISPO

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TO: MARTIN SETTEVENDEMIE , AGRICULTURAL COMMISSIONER / SEALER
WEIGHTS AND MEASURES

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: APRIL 7, 2014

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE DEPARTMENT
OF AGRICULTURE / WEIGHTS AND MEASURERS CONDUCTED ON SEPTEMBER
10 & 11, 2013

Our office recently completed a cash procedures and internal control review of the San Luis Obispo County Department of Agriculture / Weight and Measures that took place on September 10 & 11, 2013

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

Scope

The scope of our review included cash and receipts on hand on September 10 and 11, 2013 as well as deposits for the prior three months. Additionally, we reviewed the department's depository accounts and Cal-Card activity. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our review included physically counting all cash on hand for September 10 and 11, 2013 and reconciling the amount to the department's accountability figures. We examined cash receipts

and compared the amounts to the corresponding receipt totals and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts and Cal-Card activity. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The department is in general compliance with the Cash Handling Policy.

During fieldwork we identified some areas where improvements could be made, and we immediately provided the Agricultural Commissioner's staff with suggestions for making these improvements. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed below:

Suggested Improvements

1. Food Purchased with Petty Cash Funds

We found that petty cash funds were used to purchase food items at one of the three Agricultural Commissioner locations. The County Auditor-Controller's Cash Handling Policy discourages the use of petty cash funds for the purchase of food items. Staff was unaware of the policy regarding the purchase of food with petty cash. Purchasing food items with petty cash increases the risk of misuse and misappropriation of County funds. To the fullest extent possible, authorized purchases for food should be processed through regular purchasing channels such as purchase orders or non-petty cash employee reimbursements.

2. Untimely Deposits

We found that a deposit under \$500 was not made in a timely manner at one of the three locations. The Cash Handling Policy requires departments to deposit cash at least weekly or earlier if receipts exceed \$500; however, an unforeseen staffing shortage created difficulty in making the weekly deposit. Undeposited cash receipts increase the risk of loss or misappropriation of County funds. Staff are aware of the Cash Handling Policy's deposit requirements and have made back-plans to handle similar situations should they occur in the future.

3. Certification of Cash Handling Policy

Not all cash handling staff had certified in writing that they have read the County Auditor-Controller's Cash Handling Policy. The policy is required reading for all staff who handle cash; however, new staff were unaware of the policy. Written acknowledgement by County employees that they have read the policy helps ensure consistent Countywide procedures for cash handling. Subsequent to the end of fieldwork, we received verification that all employees with cash handling responsibilities had certified that they have read the policy.

4. Cash Duties Not Segregated

We noted that an employee who functioned as the cashier in one location also performed the bookkeeping function of reconciling the entire department's cash receipts and deposits. The County Auditor-Controller's Cash Handling Policy requires an adequate separation of cash handling and recording duties to exist in order to ensure that no single individual controls more than one key aspect of a cash transaction: the cashier must have no accounting responsibility beyond that of summarizing cash receipts, and the bookkeeper should not have access to receipt preparing methods. When one individual has control of more than one key aspect of a transaction, the risk of error and the opportunity for misappropriation significantly increases. The Agricultural Commissioner's staff was unaware of the Cash Handling Policy's requirement for separation of duties; however, subsequent to the end of field work, we were notified that the Agricultural Commissioner's staff had segregated the cashing and reconciling functions.

5. Safe Combination Not Changed

We found that it is likely that a retired employee had knowledge of the safe combination. The County Auditor-Controller's Cash Handling Policy requires that safe combinations should be restricted to as few employees as possible and that the combination to the safe should be changed whenever an employee who has knowledge of the combination terminates County employment, is transferred to another department, or is removed from cash handling functions. Maintaining the same safe combination after employees with knowledge of the combination no longer require access puts the County's cash and other assets at risk. Subsequent to the conclusion of fieldwork Agricultural Commissioner staff informed us the safe combination had been changed.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.